

**STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT
Reimbursement for Instate Acute Care Inpatient Hospital Services
Disproportionate Share Adjustment**

Definitions:

For purposes of this Plan Amendment:

"Hospital" means an acute care inpatient hospital located in New Jersey.

"Low-Income Utilization Rate" means for a hospital, the sum of the following two fractions:

A fraction (expressed as a percentage), the numerator of which is the sum of the total revenues paid the hospital for patient services under a State plan approved under this title and the amount of cash subsidies for patient services received from State and local governments in a period, and the denominator of which is the total amount of revenues of the hospital for patient services (including the amount of such cash subsidies) in the period.

A fraction (expressed as a percentage), the numerator of which is the total amount of the hospital's charge for inpatient hospital services which are attributable to charity care in a period, less the portion of any cash subsidies described in the above fraction in the period reasonably attributable to inpatient hospital services, and the denominator of which is the total amount of the hospital's charges for inpatient services in the period.

"Medicaid Inpatient Utilization Rate" means a fraction (expressed as a percentage), the numerator of which is the hospital's number of inpatient days attributable to patients who (for such days) were eligible for medical assistance under a State plan approved under this title in a period, and the denominator of which is the total number of the hospital's inpatient days in that period. The term "inpatient day" includes each day in which an individual (including a newborn) is an inpatient in the hospital, whether or not the individual is in a specialized ward and whether or not the individual remains in the hospital for lack of suitable placement elsewhere.

"Other uncompensated care" means any cost not reimbursed by hospital payers excluding charity care, graduate medical education, discounts, bad debt, and the reduction in Medicaid payments.

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Under this Plan Amendment:

8.1 Disproportionate Share Adjustment

(a) A disproportionate share hospital(DSH) shall be an acute care hospital designated by the Commissioner of Human Services or the Department of Health. No hospital shall be defined or deemed as a DSH unless the hospital has at least two obstetricians who have staff privileges at the hospital and who have agreed to provide obstetric services to individuals who are entitled to medical assistance for such services. At a minimum, each hospital with a Medicaid utilization rate that is one standard deviation above the mean Medicaid utilization for the hospitals receiving Medicaid payments in the State or has a low income utilization rate that is above 25 percent, shall be treated as a DSH.

The provision that a hospital have at least two obstetricians does not apply to a hospital, the inpatients of which are predominately individuals under 18 years of age or which does not offer non-emergency obstetric services to the general population. Each acute care hospital that meets the obstetric provision or the exception as of December 22, 1987 that has a Medicaid inpatient hospital utilization rate which exceeds one (1) percent shall be considered a DSH if the hospital meets any one of the following subsidy eligibility criteria. A hospital will receive a subsidy payment for all subsidies for which it is eligible.

1. A hospital shall be designated as a DSH eligible for a Health Care Subsidy Fund - Charity Care Subsidy by the Commissioner of the Department of Health based on the following:

A hospital is eligible for Charity Care if, upon establishing a rank order of the Hospital Specific Uncompensated Care (%UC) for all hospitals, the hospital is among the 80% of hospitals with the highest %UC.

$$\frac{\text{Hospital Specific Approved Uncompensated Care}}{\text{Hospital Specific Revenue Cap}} = \%UC$$

The hospital specific "revenue cap" refers to the total allowable hospital revenue for a year which is based on the hospital's preliminary cost for the previous year adjusted for inflation, adjustments for the settlement of reportable revenue issues, hemophilia adjustments, regional perinatal adjustments, and commission fees.

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2. The Commissioner of Human Services shall designate as a DSH and make a DSH payment to teaching hospitals whose medical programs are established by the Department of Education and whose board of trustees include both the Chancellor of Higher Education and the Commissioner of Health or their successors, if the total operating costs of the hospital exceed third party payments, including all Medicaid payments (other than DSH payments), and payments from non-State sources for services provided by the hospitals during the hospitals' fiscal year.
3. A hospital shall be designated as a DSH and eligible for Health Care Subsidy Fund - Other Uncompensated Care Fund Subsidy based upon the following:

Hospital Specific Other Uncompensated Care for Year
Hospital Specific Revenue for Year

= Specific Percentage of Other Uncompensated Care (%OUC)

A hospital is eligible for a subsidy if upon establishing a rank order of %OUC for all hospitals:

- (1) In 1993, the hospital is among the 45% of hospitals with the highest %OUC;
 - (2) In 1994, the hospital is among the 30% of hospitals with the highest %OUC; and
 - (3) In 1995, the hospital is among the 15% of hospitals with the highest %OUC.
4. The Commissioner of Human Services shall designate a hospital as a DSH and eligible for disproportionate share payments from the Hospital Relief Subsidy Fund (HRSF) based upon the following:
 - (1) The hospital's 1991 Uncompensated Care as reported to the Department of Health (1991 UCC%) shall be multiplied by the hospital's 1992 Preliminary Cost Base divided by the product of the total percentage of non-federal payers at the hospital multiplied by the hospital's 1992 Preliminary Cost Base. The product of this formula will identify the

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hospital's Hospital Relief Subsidy Eligibility Factor (HRSEF). Hospitals with a HRSEF above 30% shall be eligible for a subsidy.

5. A hospital that provides inpatient services and has a contract with the Division of Mental Health and Hospitals (DMHH) or its successor to provide services to low income mentally ill or developmentally disabled beneficiaries shall be deemed by the Commissioner of Human Services as a DSH which serves a large number of mentally ill and developmentally disabled beneficiaries and shall be designated eligible for DSH payments with the following exceptions:
- (1) Hospitals that receive money under the 90/10 program - a program in which the State pays 90% of the unreimbursed maintenance costs for indigent patients in State and county psychiatric hospitals in accordance with State statutes and the county pays the remaining 10 percent - are not eligible for payments from the HRSF.
 - (2) Hospitals shall only be eligible for a payment from the HRSF for the Mentally Ill and Developmentally Disabled if they are recognized by the DMHH or its successor, as a Short Term Care Facility (STCF) or a Child Crisis Intervention Service(CCIS) provider or are under contract with the DMHH or its successor, to provide hospital-based mental health services. CCIS and STCF providers provide inpatient services.

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**STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT
Reimbursement for Instate Acute Care Inpatient Hospital Services
Disproportionate Share Hospital Adjustment**

Definitions:

For purposes of this Plan Amendment:

"Hospital" means an acute care inpatient hospital located in New Jersey.

"Low-Income Utilization Rate" means for a hospital, the sum of the following two fractions:

A fraction (expressed as a percentage), the numerator of which is the sum of the total revenues paid the hospital for patient services under a State Plan approved under this title and the amount of cash subsidies for patient services received from State and local governments in a period, and the denominator of which is the total amount of revenues of the hospital for patient services (including the amount of such cash subsidies) in the period.

A fraction (expressed as a percentage), the numerator of which is the total amount of the hospital's charge for inpatient hospital services which are attributable to charity care in a period, less the portion of any cash subsidies described in the above fraction in the period reasonably attributable to inpatient hospital services, and the denominator of which is the total amount of the hospital's charges for inpatient services in the period.

"Medicaid Inpatient Utilization Rate" means a fraction (expressed as a percentage), the numerator of which is the hospital's number of inpatient days attributable to patients who (for such days) were eligible for medical assistance under a State Plan approved under this title in a period, and the denominator of which is the total number of the hospital's inpatient days in that period. The term "inpatient day" includes each day in which an individual (including a newborn) is an inpatient in the hospital, whether or not the individual is in a specialized ward and whether or not the individual remains in the hospital for lack of suitable placement elsewhere.

"Other uncompensated care" means any cost not reimbursed by hospital payers excluding Charity Care, Graduate Medical Education, discounts, bad debt, and the reduction in Medicaid payments.

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**STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT
Reimbursement for Instate Acute Care Inpatient Hospital Services
Disproportionate Share Hospital Adjustment**

1. Disproportionate Share Hospital Eligibility

A disproportionate share hospital (DSH) shall be an acute care hospital designated by the Commissioner of Human Services or the Department of Health. No hospital shall be defined or deemed as a DSH unless the hospital has at least two obstetricians who have staff privileges at the hospital and who have agreed to provide obstetric services to individuals who are entitled to medical assistance for such services. At a minimum, each hospital with a Medicaid utilization rate that is one standard deviation above the mean Medicaid utilization for the hospitals receiving Medicaid payments in the state or has a low-income utilization rate that is above 25 percent, shall be treated as a DSH.

The provision that a hospital have at least two obstetricians does not apply to a hospital, the inpatients of which are predominately individuals under 18 years of age or which does not offer non-emergency obstetric services to the general population. Each acute care hospital that meets the obstetric provision or the exception as of December 22, 1987 that has a Medicaid inpatient hospital utilization rate which exceeds one (1) percent shall be considered a DSH if the hospital meets any one of the following subsidy eligibility criteria. A hospital will receive a subsidy payment for all subsidies for which it is eligible.

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**STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT
Reimbursement for Instate Acute Care Inpatient Hospital Services
Disproportionate Share Hospital Adjustment**

2. Method of Payment

The DSH adjustment shall include the amount annually determined by the Essential Health Services Commission or its successor to be utilized for payments for Charity Care and Other Uncompensated Care from the Health Care Subsidy Fund.

Hospitals that are deemed eligible to receive DSH payments on the basis of low-income utilization will, at a minimum, receive annually a DSH payment that is equal to one-hundredth of one percent of non-DSH Medicaid payments for inpatient services for each percentage point by which the hospital's low-income utilization exceeds 25 percent (i.e., the number of percentage points multiplied by 0.01 percent multiplied by the hospital's non-DSH Medicaid payments for inpatient services).

A hospital that is deemed eligible to receive DSH payments on the basis of its Medicaid inpatient utilization rate but has a low-income utilization rate that is less than or equal to 25 percent, will at a minimum, receive annually a DSH payment that is equal to one-hundredth of one percent of non-DSH Medicaid payments for inpatient services for each percentage point by which the Medicaid inpatient utilization rate exceeds one standard deviation above the mean Medicaid inpatient utilization for all hospitals in New Jersey (i.e., the number of percentage points multiplied by 0.01 percent multiplied by the hospital's non-DSH Medicaid payments for inpatient services).

Hospitals with a Medicaid utilization rate that is equal to one standard deviation above the mean Medicaid inpatient utilization rate for all hospitals in New Jersey shall be considered as having a rate that equals one percentage point plus one standard deviation above the mean Medicaid inpatient utilization for the purposes of calculating a DSH payment.

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**STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT
Reimbursement for In-State Acute Care Inpatient Hospital Services
Disproportionate Share Hospital Adjustment**

Pursuant to Section 13621 of the "Omnibus Budget Reconciliation Act of 1993" (OBRA 93) (Public Law 103-66, codified in U.S.C. 1396r-4), the State is limiting disproportionate share hospital (DSH) payments to hospitals.

- a) Section 13621 of OBRA 93 establishes hospital-specific limits on the amount of payment adjustments that the State may make to a hospital during the State Fiscal Year (SFY). Beginning with SFY ending June 30, 1996, the State's annual DSH payments to each hospital will not exceed the respective hospital-specific limit. The hospital-specific limit is the sum of two parts:
 - i) The first part is termed "Medicaid shortfall." Medicaid shortfall is the cost of providing services to Medicaid patients using Medicare principles of cost reimbursement, less the non-DSH payments made under a State Plan.
 - ii) The second part is termed "Uninsured Patient Cost." Uninsured Patient Cost is the cost of services, based on the Medicare principles of cost reimbursement, provided to those without health insurance (or other third party coverage), less any cash payments made by them on their own behalf. Payments made to a hospital for services provided to the above patients made by the State or unit of local government shall not be considered third party reimbursement.

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Superceded by **New** 95-36

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**STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT
Reimbursement for Instate Acute Care Inpatient Hospital Services
Disproportionate Share Hospital**

3. Health Care Subsidy Fund - Charity Care Subsidy

- a) Hospital-specific Charity Care subsidy payments shall be determined annually by the Department of Health (DOH), by allocating available Charity Care funds so as to equalize the hospital-specific payer-mix factors to the statewide-target payer-mix factor;
 - i) Those hospitals with a hospital-specific payer-mix factor that is greater than the statewide-target payer-mix factor shall be eligible to receive a subsidy sufficient to reduce their hospital-specific payer-mix factor to equal the Statewide-target payer-mix factor.
 - ii) Those hospitals with a payer-mix factor that is equal to or less than the statewide-target payer-mix factor shall not be eligible to receive a subsidy adjustment.
 - iii) The Commissioner of Health (DOH) or his successor shall adjust the distribution of the subsidies to hospitals under this methodology to account for any provisional or interim payments made to hospitals in 1995. In no case shall the total amount of payments received by a hospital exceed what would have otherwise been received if the provisions of this section had been in effect for the entire year.
 - iv) As used in this Section:
 - a) The hospital-specific "1993 approved Charity Care" shall be equal to the hospital's 1993 Charity Care as audited by DOH plus 28.36% of a hospital's bad debt as reported on the hospital's 1993 Actual Cost Reports and valued at 1994 Medicaid reimbursement rates;

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Disproportionate Share Hospital**

- b) The hospital-specific "operating margin" shall be equal to:
- (1) The hospital's 1993 income from operations minus its 1993 Charity Care subsidy divided by the hospital's 1993 total operating revenue minus its 1993 Charity Care subsidy;
- c) After calculating each hospital's operating margin, DOH shall determine the Statewide median operating margin;
- d) The hospital-specific profitability factor shall be determined as follows:
- (1) For those hospitals that are equal to or below the Statewide median operating margin shall be assigned a profitability factor of "1";
- (2) For those hospitals that are above the Statewide median operating margin, the profitability factor shall be equal to:

$$\frac{.75 \text{ times (hospital-specific operating margin less Statewide median operating margin)}}{1 \text{ minus } \frac{\text{highest hospital-specific operating margin less Statewide median operating margin}}{\text{highest hospital-specific operating margin less Statewide median operating margin}}}$$

- e) The hospital-specific "adjusted Charity Care" shall be equal to the hospital-specific 1993 approved Charity Care times the hospital-specific profitability factor;

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